REPUBLIC OF KENYA

REVISED MEDIUM TERM DEBT MANAGEMENT STRATEGY (2025/26—2027/28) (Revised)

PREPARED BY THE PUBLIC DEBT MANAGEMENT OFFICE

THE NATIONAL TREASURY

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FOREWORD

The Medium-Term Debt Management Strategy (MTDS) is a central instrument for guiding Government borrowing decisions and shaping the structure of Kenya's public debt portfolio. It provides a framework for balancing cost minimisation with prudent risk management, while ensuring debt sustainability in line with fiscal policy objectives.

The Revised 2025 MTDS has been prepared against a backdrop of heightened financing needs, evolving global capital market conditions, and the imperative to align borrowing with updated national priorities. It reflects the Government's commitment to fiscal discipline, transparency, and intergenerational equity in the management of public resources.

Kenya's debt stock has expanded in recent years, underscoring the importance of a deliberate strategy to lengthen maturities, reduce refinancing pressures, and deepen the domestic debt market. The Strategy emphasises liability management operations, prioritisation of concessional borrowing, and reforms to strengthen the secondary market for government securities. These measures are designed to lower borrowing costs, mitigate foreign exchange risks, and enhance liquidity.

At the external level, the Strategy seeks to diversify financing sources by tapping innovative instruments such as Diaspora Bonds, Samurai, Sukuk, Panda, and ESG-linked debt. This diversification will broaden Kenya's investor base and reduce reliance on traditional commercial borrowing.

The Revised MTDS provides a firm foundation for sustaining fiscal stability, supporting the Bottom-Up Economic Transformation Agenda (BETA), and safeguarding Kenya's debt sustainability profile. The National Treasury remains committed to implementing this Strategy with discipline, transparency, and responsiveness to both domestic and international market dynamics.

HON. FCPA JOHN MBADI NG'ONGO, E.G.H.
CABINET SECRETARY/THE NATIONAL TREASURY

ACKNOWLEDGEMENT

The Revised 2025 Medium Term Debt Management Strategy (MTDS) has been developed to guide public debt management over the period 2025-2028. Analyses of costs and risks on both the domestic and external environments have been undertaken in line with the objectives of the Public Debt and Borrowing Policy and the Public Finance Management Act, 2012.

The projected borrowing is aligned with the objectives of the 2025 Budget Policy Statement and the approved supplementary budget estimate I of the FY 2025/2026 including meeting maturities as they fall due and raising resources to fund the fiscal deficits. The emphasis will be on promoting the development of a sustainable domestic debt market and intergenerational equity.

The revision of the 2025 MTDS, was through a collaborative effort involving various Departments within the National Treasury and the Central Bank of Kenya. I thank all the officers from the various departments and directorates for their intensive efforts towards its preparation. Moreover, I recognize the efforts of the Public Debt Management Office for providing the technical inputs towards developing this Strategy.

I appreciate the invaluable leadership and guidance provided by the Cabinet Secretary, the National Treasury and Economic Planning, towards the development of this Strategy.

The Revised 2025 MTDS and previous years' versions of the Medium-Term Debt Management Strategies are available for reference and information on the National Treasury website: www.treasury.go.ke/medium-term-debt-management-strategy

DR. CHRIS K. KIPTOO, C.B.S.
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ABBREVIATION AND ACRONYMS

ABP	Annual Borrowing Plan
APDMR	Annual Public Debt Management Report
BETA	Bottom-Up Economic Transformation Agenda
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
DSA	Debt Sustainability Analysis
ESG	Environmental, Social and Governance
GDP	Gross Domestic product
IDA	International Development Association
IBRD	International Bank for Reconstruction & Development
IMF	International Monetary Fund
KQ	Kenya Airways
KenGen	Kenya Electricity Generation Company
KPA	Kenya Ports Authority
MTDS	Medium-Term Debt Management Strategy
NSE	Nairobi Securities Exchange
OTC	Over-the-Counter
PPG	Public & Publicly Guaranteed
PDMO	Public Debt Management Office
PFM	Public Finance Management
SDR	Special Drawing Rights
S&P	Standard and Poor's
PV	The present value
USD	United State Dollar

EXECUTIVE SUMMARY

The Revised 2025 Medium-Term Debt Management Strategy (MTDS) sets out Kenya's policy framework for borrowing and public debt management for the period FY 2025/26 to 2027/28. Anchored in the 2025 Budget Policy Statement the strategy seeks to balance cost and risk in the debt portfolio while supporting fiscal consolidation and intergenerational equity. As at June 2024, total public debt stood at Ksh 10.58 trillion, equivalent to 65.7 percent of GDP, with domestic debt accounting for Ksh 5.41 trillion and external debt Ksh 5.17 trillion. The debt portfolio is dominated by Treasury bonds on the domestic side and concessional multilateral and bilateral loans externally, reflecting the government's preference for long-term and low-cost financing.

The analysis shows that while the debt-to-GDP ratio has declined from 72 percent in 2023 to 63.7 percent in 2024, risks remain elevated. Domestic interest costs have risen sharply, refinancing risks are high due to reliance on short-term instruments, and foreign exchange exposure, though reduced, continues to pose vulnerabilities. Debt sustainability assessments confirm that public debt is sustainable but at high risk of distress, with the present value of debt projected to remain above the 55 percent benchmark through 2030.

To address these challenges, the MTDS proposes a borrowing mix of 25 percent external and 75 percent domestic financing, with emphasis on lengthening maturities, reducing reliance on Treasury bills, and optimizing concessional borrowing. Innovative instruments such as diaspora bonds, ESG-linked bonds, Sukuk, Samurai, and Panda bonds will be explored to diversify financing sources. Among the alternative strategies analyzed, S2 targets a net deficit financing at 80 percent domestic and 20 percent external for FY 2025/26–2027/28. By end of the strategy period, outstanding debt composition will be 56.6 percent domestic and 43.4 percent external.

By FY 2027/28, the implementation of the revised strategy is expected to reduce nominal debt-to-GDP to 63.3 percent, lower interest payments to 5.1 percent of GDP, and strengthen the resilience of the debt portfolio. However, risks such as auction failures, widening fiscal deficits, limited access to concessional financing, revenue underperformance, shilling depreciation, contingent liabilities from state-owned enterprises, and potential credit rating downgrades could undermine full implementation. To mitigate these risks, the strategy calls for liability management operations, improved cash management to reduce reliance on overdrafts, and sustained fiscal consolidation to slow debt accumulation.

I. INTRODUCTION

1. The Medium-Term Debt Management Strategy (MTDS) is the policy framework that guides government borrowing and public debt management in Kenya. The framework guides the Government in pursuing a desired structure of the public debt portfolio which reflects costs and risks trade-off, to support the fiscal deficit path outlined in the Budget Policy Statement (BPS).
2. The preparation and submission of the Revised 2025 MTDS to Parliament for the period FY 2025/26 to 2027/28 is in accordance with Supplementary I Budget for FY2025/26 and parliamentary resolutions.
3. The National Treasury is mandated to manage the levels and composition of public debt, including guarantees and other financial obligations as provided for in sections 12 (1) (b) and 62(b) of the Public Finance Management (PFM) Act, 2012.

a) Objectives of the Revised 2025 Medium Term Debt Management Strategy

4. The Revised 2025 Medium-Term Debt Management Strategy aims at:
    a) Reducing refinancing risks by reducing short maturities debt while lengthening the total portfolio Average Time to Maturity (ATM) by deepening the domestic bond market through issuance of more medium to long term instruments as the main source of domestic financing.
    b) Reducing the interest rate risk by increasing the Average Time to Refixing and reducing the amount of debt with variable interest rates;
    c) Reducing the foreign exchange risk through currency diversification; and
    d) Promoting intergenerational equity.

b) Scope of the MTDS

5. The MTDS analysis takes into account outstanding public debt and projected borrowing and debt service in the context of current and future macroeconomic environment and the conditions in the international and domestic capital markets. Performing guaranteed debt and other local debts and overdraft are excluded from the proposed debt management strategies. Debts excluded amounts to Ksh. 263.74 billion which includes Ksh. 100.17 billion uncalled guaranteed debts, Ksh. 61.03 billion Government overdraft at CBK, Ksh. 13.54 billion Suppliers credit, Ksh. 83.54 billion IMF SDR Allocation and Ksh. 5.47 billion Bank advances.

c) Organisation of the document

6. The succeeding sections comprise: Review of the Existing Public Debt Portfolio; Analysis of Costs and Risks of Existing Public Debt; Kenya's Debt Sustainability; Macroeconomic Assumptions and Key Risks; Potential Sources of Financing; Debt Management Strategy and Annexes.

II. REVIEW OF THE EXISTING PUBLIC DEBT STOCK

1. As at end June 2024, the stock of public and publicly guaranteed debt was Ksh 10,581.98 billion (65.7 percent of GDP), equivalent to USD 81.70 billion in nominal terms, of which domestic debt was Ksh 5,410.28 billion while external debt was Ksh 5,171.70 billion (**Table 1**).

2. The revised 2025 MTDS analysis takes into account debt stock of Ksh 10,318.25 billion or USD 79.66 billion excluding the performing guarantees debts, IMF SDR Allocation, Government overdraft at Central Bank of Kenya (CBK), Suppliers credit and Bank advances.

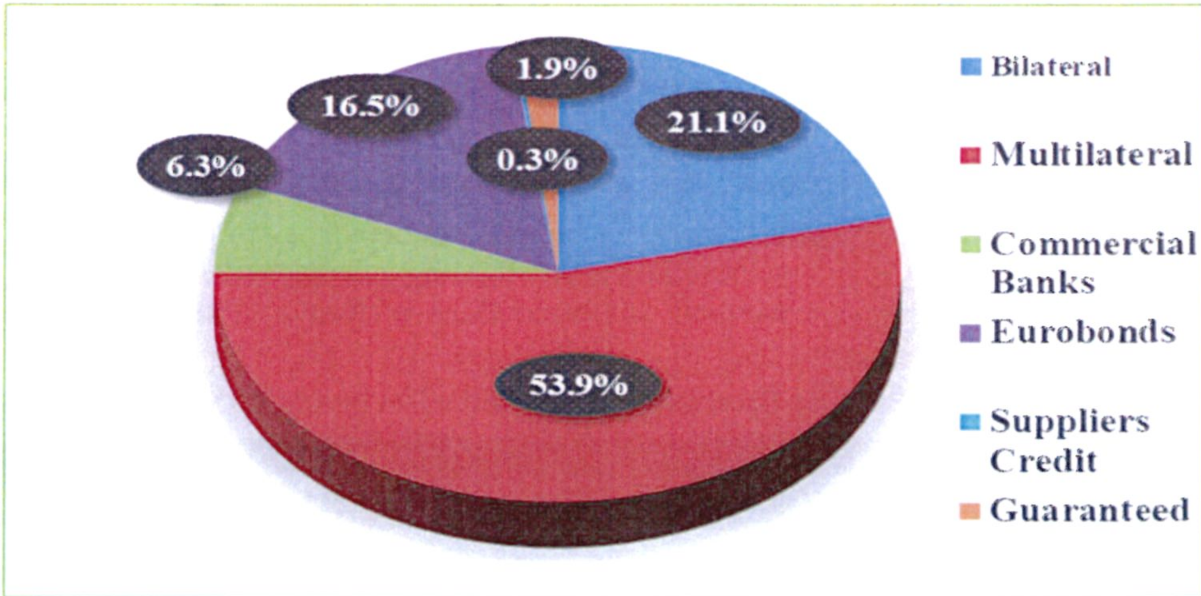
Table 1: Public and Publicly Guaranteed Debt in the Revised MTDS end June 2024

Description	Ksh billions	USD billions*
A. Domestic Debt (included in MTDS)		
Treasury Bills	615.89	4.75
Treasury Bonds	4,627.12	35.72
Pre-1997 Government Debt	17.23	0.13
Sub Total	**5,260.25**	**40.61**
B. External debt (included in MTDS)		
IDA/IBRD	1,786.03	13.79
ADF/AfDB	508.50	3.93
Bilateral	1,092.69	8.44
Multilateral	492.42	3.80
Commercial Banks	323.49	2.50
International Sovereign Bond	854.88	6.60
Sub Total	**5,058.00**	**39.05**
C. Excluded from MTDS		
Suppliers Credit (external)	13.54	0.10
CBK Overdraft (domestic)	61.03	0.47
IMF SDR Allocation (domestic)	83.54	0.64
Performing Guarantees (external)	100.17	0.77
Bank advances (domestic)	5.47	0.04
Sub Total	**263.74**	**2.04**
TOTAL DEBT Included in MTDS (A+B)	**10,318.25**	**79.66**
TOTAL DEBT (A+B+C)	**10,581.98**	**81.70**
Domestic	5,410.28	41.77
External	5,171.70	39.93

Source: *The National Treasury and Central Bank of Kenya*
**Exchange Rate (USD/Ksh.) is 129.527*

3. External public debt comprises multilateral, bilateral and commercial creditors while the domestic debt comprises Treasury bonds and bills. As a proportion of total external debt, multilateral debt accounted for 53.9 percent (**Figure 1**). The high proportion of multilateral and bilateral debt reflects the Government's deliberate strategy of maximizing the use of concessional financing and minimizing the use of commercial loans.

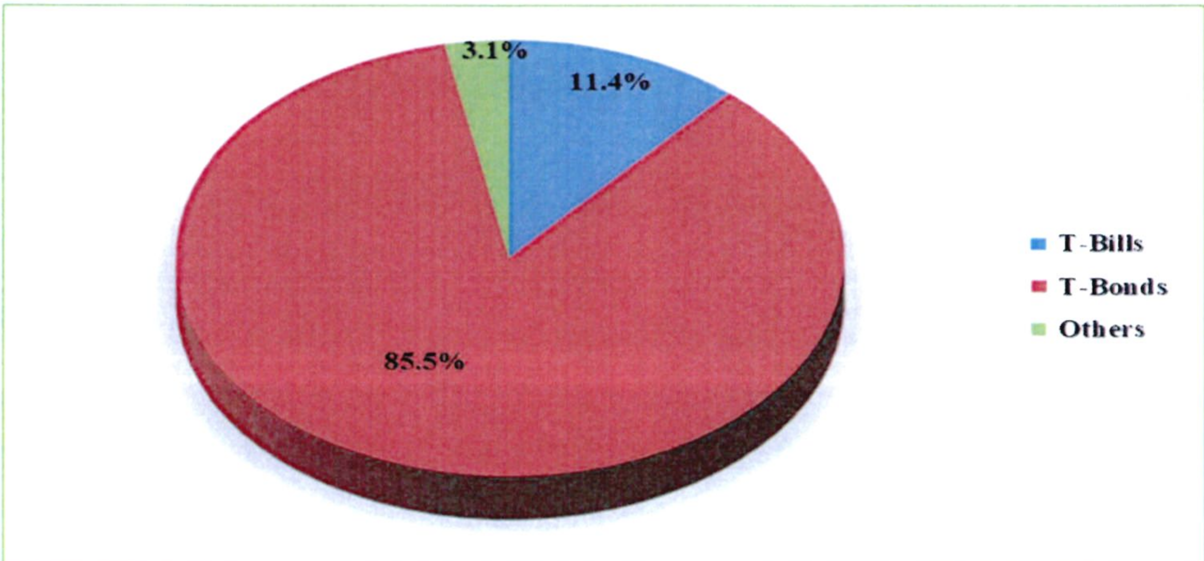
Figure 1: Composition of External Debt as at the end of June 2024



Source: *The National Treasury*

4. As at end June 2024, Treasury bonds accounted for 85.5 percent of total domestic public debt, while Treasury bills accounted for 11.4 percent of total domestic public debt. The other domestic public debt categories accounted for 3.1 percent of the total domestic debt **(Figure 2**).

Figure 2: Composition of Domestic Debt as at the end of June 2024



Source: *The National Treasury*

5. Government guaranteed debt as at end June 2024 amounted to Ksh100.2 billion. The debts are held by Kenya Ports Authority (KPA), Kenya Electricity Generation Company (KenGen) and Kenya Airways (KQ) (**Table 2**).

Table 2: Outstanding Government Guaranteed Debt (End of June 2024)

Agency	Project	Amount (Ksh Millions)
Kenya Electricity Generating Company	Mombasa Diesel Generating Power Plant	343
	Sondu Miriu Hydropower Project	819
	Sondu Miriu Hydro Power II	5,589
	Sondu - Miriu Hydropower Project Sangoro Power Plant	2,630
	Olkaria 1 Unit 4 and 5 Geothermal Power Project	15,528
	Rehabilitation and Upgrade of the Geothermal Plant Olkaria	1,449
	DSSI Japan For KenGen Loans Phase I	709
	DSSI Japan For KenGen Loans Phase II	824
Kenya Ports Authority	Mombasa Port Development Programme (Mombasa Port A)	15,422
	Mombasa Port Development Programme (Mombasa Port)	1,393
	Kenya Port Development Project - Phase II (Principal I)	23,271
	Kenya Port Development Project - Phase II (Principal IIA)	2,574
	DSSI Japan-Kenya Ports Authority (KE-P25) -Phase I	219
	DSSI Japan-Kenya Ports Authority (KE-P25) -Phase II	256
Kenya Airways	Kenya Airways Guarantee (for Local Banks)	29,139
Total		**100,165**

Source: *The National Treasury*

III. ANALYSIS OF COSTS AND RISKS OF EXISTING PUBLIC DEBT

1. This section highlights the costs and risk characteristics of the existing public debt portfolio as at the end of June 2024.
2. Nominal debt as a percentage of GDP was 63.7 percent in June 2024 compared to 72.0 percent in June 2023 while the present value of public debt to GDP was 58.1 percent compared to 68.7 percent in the same period (**Table 3**).

Table 3: Costs and Risks Indicators for Existing Debt

		External Debt		Domestic Debt		Total Debt		Remarks
Risk Indicators		2023	2024	2023	2024	2023	2024	
Nominal debt as percentage of GDP		38.2	31.4	33.8	32.3	72.0	63.7	High debt burden.
PV as percentage of GDP		32.1	25.8	36.6	32.3	68.7	58.1	
Cost of debt	Interest payment as percentage of GDP	1.4	1.2	3.8	4.3	5.2	5.4	Rising cost of debt due to high domestic interest rate
	Weighted Av. IR (percentage)	3.7	3.8	11.4	13.2	7.3	8.5	
Refinancing risk	ATM (years)	9.3	9.5	7.5	6.6	8.5	8.1	High refinancing risk due to increased uptake of short-term domestic debt
	Debt maturing in 1yr (percentage of total)	9.7	5.2	16.8	17.6	13	11.2	
	Debt maturing in 1yr (percentage of GDP)	3.6	1.9	5.6	5.7	9.2	7.5	
Interest rate risk	ATR (years)	7.7	7.9	7.5	6.6	7.6	7.3	Overall, the interest rate risk has reduced
	Debt re-fixing in 1yr (percentage of total)	33.9	31.0	16.8	17.6	25.9	24.6	
	Fixed rate debt incl T-bills (percentage of total)	73.2	71.8	100.0	100.0	85.7	85.2	
	T-bills (percentage of total)			13	10.7	6.1	5.1	
FX risk	FX debt (percentage of total debt)					51.5	49.3	Reduced foreign exchange rate risk
	ST FX debt (percentage of reserves)					49.9	27.5	

Source: *The National Treasury*

3. The domestic debt with maturity of 4 to 10 years improved as at end June 2024. The proportion of instruments with less than one year to maturity increased to 18.6 percent as at end June 2024 from 16.7 percent as at end June 2023 and this was attributed to the National Treasury uptake of short-term instruments. As a result, the proportion of instruments with maturity of 2-3 years and greater than 11 years as at end June 2024 reduced from 15.3 percent and 26.9 percent as at end June 2023 to 13.5 percent and 22.2 percent as at end June 2024, respectively (**Table 4**).

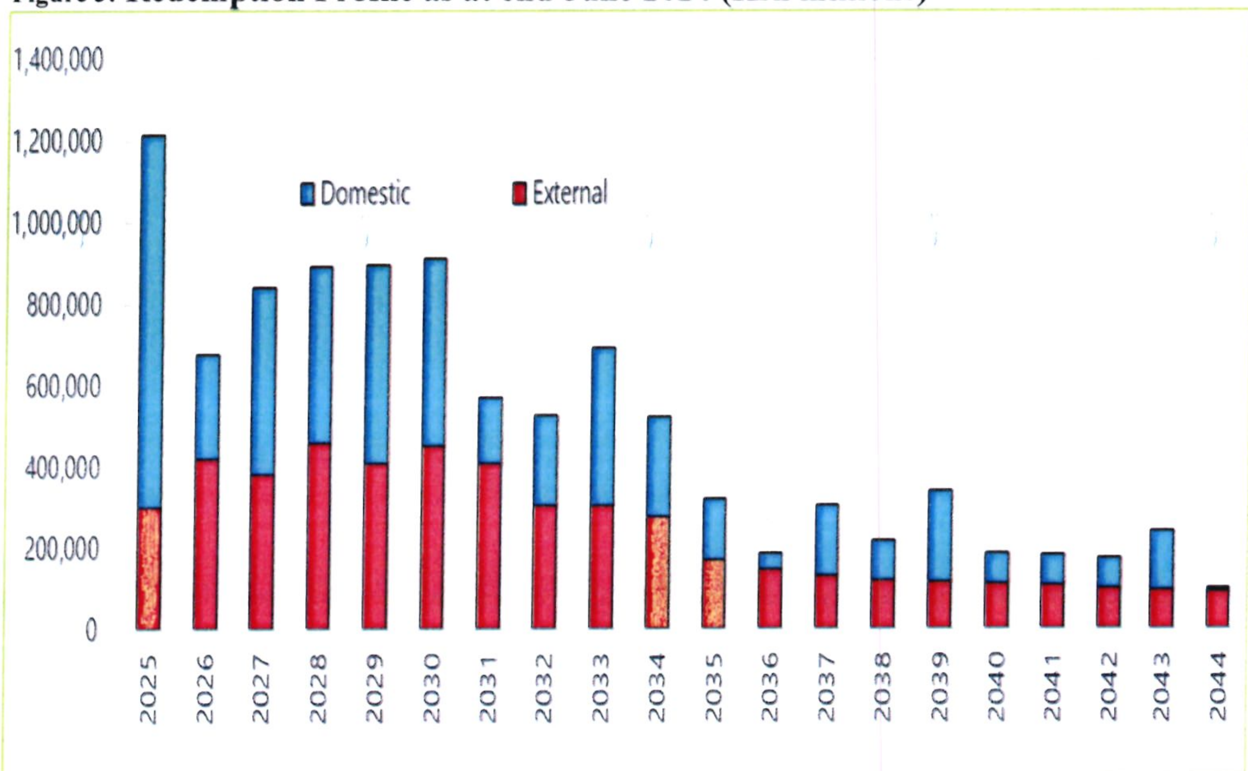
Table 4: Domestic Debt Securities by Maturity Profile, in USD Equivalent

Remaining Maturity in Years	End June 2023 In million USD	As Percent of Total	End June 2024 In million USD	As Percent of Total
Less than one year	5,645	16.7	7,525	18.6
2 to 3 years	5,143	15.3	5,482	13.5
4 to 5 years	5,407	16.0	7,113	17.6
6 to 10 years	8,465	25.1	11,377	28.1
Above 11 years	9,085	26.9	8,982	22.2
Total	**33,745**	**100.0**	**40,479**	**100.0**

Source: *The National Treasury*

4. The redemption profile shows that 18.6 percent of domestic debt will mature by June 2025, mainly due to short-term (treasury bills) government securities falling due. Overall, the repayment schedule is bunched for the next nine years due to large share of Treasury bills and near-term maturities treasury bonds, international sovereign bonds and syndicated loans. The public debt repayment schedule, as of June 2024, is shown below (**Figure 3**).

Figure 3: **Redemption Profile as at end June 2024 (Ksh millions)**



Source: *The National Treasury*

IV. KENYA'S DEBT SUSTAINABILITY

1. The National Treasury undertook debt sustainability analysis in September 2025 and the analysis indicated that the public debt remains sustainable but at high risk of debt distress.
2. The External Debt Sustainability Analysis (DSA) indicates that while the present value (PV) of external debt relative to GDP remains below the 40 percent threshold throughout the projection period, the PV of public and publicly guaranteed (PPG) external debt relative to exports is expected to be below the 180 percent limit through 2030 from 2026. Furthermore, debt service pressures are significant, as the debt service-to-revenue ratio breached the 18 percent threshold between 2024 and 2025 due to heavy maturities and thereafter is projected to be below the threshold while the debt service-to-exports ratio is anticipated to remain above the 15 percent sustainability benchmark through 2030 (**Table 5**).

Table 5:External Debt Sustainability Analysis

Indicators	Thresholds	2024	2025	2026	2027	2028	2029	2030
		Actual	Projection					
PV of PPG external debt-to-GDP ratio	**40**	30.8	28.3	27.5	26.8	25.5	24.4	24.6
PV of PPG external debt-to-exports ratio	**180**	180.3	182.2	167.5	158.7	147.9	141.6	145.1
PPG debt service-to-exports ratio	**15**	26.3	22.5	18.3	15.9	18.3	15.9	15.9
PPG debt service-to-revenue ratio	**18**	27.0	20.6	17.6	15.5	18.3	16.1	16.2

Source: *The National Treasury*

3. The Present Value (PV) of total public debt as a percentage of GDP is projected to remain above the 55 percent benchmark over the medium term (Table 6).

Table 6:Public Debt Sustainability Analysis

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2030
		Actual	Projections					
PV of debt–to-GDP ratio	55	65.7	65.3	65.6	65.0	64.2	63.1	62.1
PV of public debt-to-revenue and grants ratio		391.5	379.8	379.0	369.5	365.0	367.1	365.1

Source: *The National Treasury*

V. MACROECONOMIC ASSUMPTIONS AND KEY RISKS

a) Baseline Macroeconomic Assumptions

1. The Revised 2025 Medium-Term Debt Management Strategy is anchored on the macroeconomic framework set out in the Budget Policy Statement, which provides the fiscal and economic context within which borrowing decisions are made.

2. At the international level, the global economy showed signs of stabilisation, supported by easing inflationary pressures and the gradual resolution of supply chain disruptions. Advanced economies are expected to maintain steady growth as monetary tightening cycles moderate and consumer demand recovers. In Sub-Saharan Africa, growth prospects are stronger, driven by improved activity across key sectors as the effects of past weather shocks diminish and supply-side constraints ease.

3. Kenya's medium-term outlook remains positive, underpinned by broad-based private sector activity and ongoing implementation of Government initiatives under the Bottom-Up Economic Transformation Agenda. Fiscal consolidation is expected to strengthen revenue mobilisation, rationalise expenditure, and progressively narrow the fiscal deficit. The improvement in the primary balance signals that the Government is increasingly able to finance non-interest expenditures from domestic revenue, reducing reliance on new borrowing and reinforcing debt sustainability.

4. The economy is projected to expand steadily, supported by a stable inflation environment and a growing nominal GDP base. This provides a stronger platform against which the debt burden can be assessed, while anchoring fiscal consolidation efforts.

5. Monetary conditions have eased, with interest rates declining in line with the Central Bank's accommodative stance. Liquidity conditions have improved, leading to lower short-term borrowing costs. This environment supports the debt management objective of reducing reliance on Treasury bills and lengthening the maturity profile of domestic debt. Investors are more willing to extend duration when interest rate expectations are stable, creating favourable conditions for the issuance of medium- to long-term government securities.

b) Key Risks to Macroeconomic Assumptions

6. The risks to the 2025 MTDS strategy are:
    a) Geopolitics/unpredictable weather conditions that may adversely affect agricultural output, real GDP growth, and inflation;
    b) Tight fiscal space and a potential increase in projected financing needs;
    c) Uncertainty in the global economic outlook, which may affect external demand and capital flows;
    d) Constraints in accessing concessional financing, leading to increased reliance on costlier sources of financing;

e) Underperformance of Government Securities auctions, which may affect the achievement of domestic borrowing targets;

f) Delays or failure to absorb external financing from creditors, potentially resulting in budget underfunding;

g) Underperformance in revenue collection, increasing borrowing requirements;

h) Depreciation of the Kenya shilling against major currencies, which may raise debt service costs, heighten fiscal pressures, and contribute to inflationary pass-through;

i) Materialization of fiscal risks and contingent liabilities arising from debt obligations of state-owned enterprises; and

j) Risk of credit rating downgrades, which could increase borrowing costs and limit access to external financing.

VI. POTENTIAL SOURCES OF FINANCING

1. The domestic and external markets are the main sources of Government deficit financing.
2. The government will raise funds from the domestic debt market through issuance of Treasury bonds and bills.
3. The National Treasury will spearhead key reforms that deepen the market and diversify the investor base. Riding on the use of DhowCSD, the government will continue to implement measures that attract a diverse set of investors to the domestic debt market, including undertaking roadshows among relevant stakeholders.
4. The external borrowing will be majorly through concessional loans from multilateral, bilateral and limited commercial loans such as international bond issuances.
5. The Government will also explore emerging funding instruments such as debt swaps, diaspora bond, sustainability linked bonds, Sukuk, Samurai, Panda bonds and Environmental, Social and Governance (ESG) debt instruments to fund budget deficit and manage public debt.

VII. DEBT MANAGEMENT STRATEGY

a) Analysis of Cost and Risk Indicators Under Alternative Debt Management Strategies

1. To identify the borrowing mix that best minimises public debt costs while managing associated risks, the National Treasury analysed four alternative debt management strategies (S1 through S4) using the MTDS analytical framework. Each strategy represents a distinct combination of domestic and external borrowing, varying in the proportion of concessional versus commercial external borrowing and the mix of short- versus long-term domestic instruments.

2. **Table 7** below presents the projected cost and risk indicators for each alternative strategy at the end of the projection period (FY 2027/28), compared against the current (2025) portfolio position. The analysis covers key metrics including debt burden, financing costs, refinancing risk, interest rate risk, and foreign exchange risk. Annexes 1 to 4 show more details of the alternative debt management strategies.

TABLE 7: Expected Costs and Risks Indicators Under Alternative Strategies

Risk Indicators		2024	As at end 2028			
		Current	S1	S2	S3	S4
Nominal debt as percent of GDP[i]		63.7	63.4	63.3	63.2	62.8
Present value debt as percent of GDP		58.1	58.8	58.0	58.3	57.5
Interest payment as percent of GDP		5.4	5.2	5.1	5.0	4.7
Implied interest rate (percent)		8.5	8.9	8.7	8.5	8.0
Refinancing risk	Debt maturing in 1yr (percent of total)	11.2	13.2	11.9	13.1	15.3
	Debt maturing in 1yr (% of GDP)	7.5	8.4	7.5	8.3	9.6
	ATM External Portfolio (years)	9.5	8.9	10.0	8.6	8.6
	ATM Domestic Portfolio (years)	6.6	7.9	8.3	7.7	6.2
	ATM Total Portfolio (years)	8.1	8.4	9.0	8.2	7.6
Interest rate risk	ATR (years)	7.3	8.0	8.7	7.8	7.2
	Debt refixing in 1yr (percent of total)	24.6	19.4	17.9	21.0	24.0
	Fixed rate debt incl T-bills (percent of total)	85.2	92.6	92.9	90.5	89.6
	T-bills (percent of total)	5.1	4.2	3.4	4.2	5.5
FX risk	FX debt as % of total	49.3	43.7	43.4	50.8	56.8
	ST FX debt as % of reserves	27.5	34.0	29.6	39.3	42.6

Source: *The National Treasury*

(i) ***Performing guaranteed debt, supplier credits and other local debts including overdraft are excluded from the proposed debt management strategies. Debts excluded amounts to Ksh. 263.74 billion which includes Ksh.100.17 billion uncalled guaranteed debts, Ksh. 61.03 billion Government overdraft at CBK, Ksh.13.54 billion Suppliers credit, Ksh. 83.54 billion IMF SDR Allocation and Ksh. 5.47 billion Bank advances***

3. The analysis across the four strategies.

i. In terms of debt burden reduction, all four strategies project a decline in nominal debt as a percentage of GDP relative to the current level of 63.7 percent, with S4 registering the largest reduction to 62.8 percent and Strategy 2 (S2) and S3 producing outcomes at 63.3 and 63.2 percent respectively. Similarly, the present value of debt relative to GDP declines across all strategies, with S4 achieving the most favourable outcome at 57.5 percent against the current 58.1 percent.

ii. On refinancing risk, S2 stands out as the strongest performer, retaining the share of debt maturing within one year at 7.5 percent of total debt — and extending the ATM of the total portfolio to 9.0 years from 8.1 years. For the domestic portfolio specifically, S2 achieves an ATM improvement from 6.6 to 8.3 years, reflecting its emphasis on medium-to long-term bond issuance. This outcome directly addresses one of the most significant vulnerabilities in of current portfolio: the concentration of near-term maturities that creates rollover risk.

iii. With respect to interest rate risk, S2 achieves the most favourable profile by increasing the ATR to 8.7 years from 7.3 years, reducing the proportion of debt refixing within one year to 17.9 percent from 24.6 percent, and increasing fixed-rate debt to 92.9 percent from 85.2 percent. The Treasury bill share of the portfolio would decline to 3.4 percent — the lowest across all strategies — from the current 5.1 percent. On foreign exchange risk, S2 and S1 both project modest reductions in FX debt as a share of the total portfolio to approximately 43.7 and 43.4 percent respectively, compared to the 49.4 percent. S2 also registers a more favourable short-term FX debt to reserves ratio of 29.6 percent, below S1's 34.0 percent.

4. From an array of strategies analysed in Table7, Strategy 2 (S2) provides more prospective benefits in terms of costs and risks of public debt than any other alternative strategy.

b) The Revised 2025 Overall Debt Management Strategy

5. The revised 2025 MTDS aims to reduce debt costs and risks by sourcing 25 percent gross borrowing from external sources and 75 percent from domestic sources over the medium term. From the domestic sources, the strategy is to gradually reduce the stock of Treasury bills while lengthening debt maturity and issuance of medium to long term debt securities. On the external end, the target is a mix of concessional optimisation and minimal commercial borrowing. The expected composition of public debt at the end of the Strategy period will be 43.4 percent external and 56.6 percent domestic, as shown in Annex 2.

c) Deficit Financing Strategy (FY 2025/26-2027/28)

6. Based on the MTDS analytical tool analysis, a net borrowing mix of 80 percent and 20 percent from domestic and external sources over the medium term respectively will help optimize costs and risks of financing the fiscal deficits for the MTDS period 2025/26-2027/28.

d) Expected Costs and Risks Indicators in 2028

7. The implementation of the strategy will reduce the cost of debt by reducing nominal debt to GDP to 63.3 percent from the current 63.7 percent and the present value of debt to GDP from 58.1 percent to 58.0 percent over the implementation period by FY2027/28 (**Table 7**).

8. The debt burden will reduce as shown in the reduced interest payment as a percentage of GDP to 5.1 per cent from the current 5.4 per cent by the end of projection period. Lower interest payments imply reduced pressure on the budget, which can free up resources for other priorities.

9. In terms of refinancing risks, the optimal strategy lengthens the debt maturity both in the domestic and external portfolio.

10. The Strategy reduces the interest rate risk by increasing the average time to refixing to 8.7 years from 7.3 years, increasing the debt with fixed rate from 85.2 per cent to 92.9 per cent, and reducing the amount of Treasury bills in the portfolio to 3.4 per cent from the current 5.1 per cent.

11. In terms of exchange rate risk, it reduces the foreign exchange rate risk from 49.4 per cent to 43.4 per cent by focusing on borrowing more from the domestic debt market.

e) Risks to the Strategy

12. Factors that could lead to the optimal strategy not being fully implemented may include emergency conditions like auction failure, widening of the fiscal deficit, limited access to external funding which could disrupt the financing plan, and default on guarantees.

Table 8: Expected Costs and Risks Indicators of the Debt Management Strategy (2028)

Risk Indicators		Current	S2
Nominal debt as percent of GDP[i]		63.7	63.3
Present value debt as percent of GDP		58.1	58.0
Interest payment as percent of GDP		5.4	5.1
Implied interest rate (percent)		8.5	8.7
Refinancing risk	Debt maturing in 1yr (percent of total)	11.2	11.9
	Debt maturing in 1yr (% of GDP)	7.5	7.5
	ATM External Portfolio (years)	9.5	10.0
	ATM Domestic Portfolio (years)	6.6	8.3
	ATM Total Portfolio (years)	8.1	9.0
Interest rate risk	ATR (years)	7.3	8.7
	Debt refixing in 1yr (percent of total)	24.6	17.9
	Fixed rate debt incl T-bills (percent of total)	85.2	92.9
	T-bills (percent of total)	5.1	3.4
FX risk	FX debt as % of total	49.3	43.4
	ST FX debt as % of reserves	27.5	29.6

Source: *The National Treasury*

(f) Approaches to Deal with Debt Management Challenges

13. Continuously undertake liability management operations to lower costs and risks of public debt. This will require establishment of a sinking fund.
14. Improve on cash management to reduce use of the costly overdraft.
15. Sustain fiscal consolidation to reduce fiscal deficits and slow accumulation of public debt.

ANNEXES

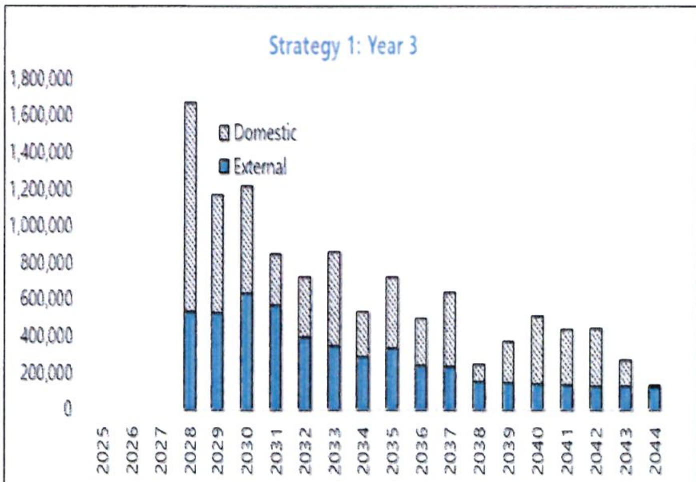
Annex 1: Average New Borrowing by Instrument under Alternative Strategies (in percent of gross borrowing by end of FY 2027/28)

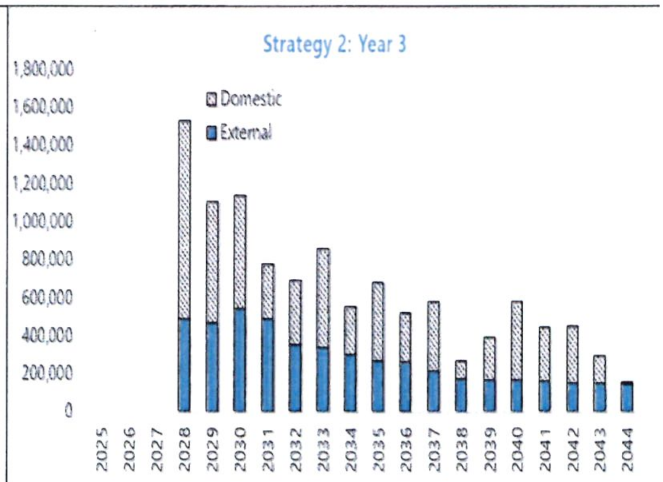
New debt in % of Total Gross Borrowing	S1	S2	S3	S4
ADF	0.50	0.50	0.72	0.86
IDA/IFAD	4.11	5.69	4.49	5.37
Concessional	4.90	7.57	5.40	6.45
Semi-Concessional	0.55	3.38	2.00	2.39
Commercial	14.94	7.85	23.39	27.93
Treasury Bills	26.04	22.11	26.49	32.97
Treasury Bond 2-3 Years	9.48	10.12	5.63	6.53
Treasury Bond 4-7 Years	6.02	6.57	4.96	2.71
Treasury Bond 8-12 Years	11.62	11.77	9.27	5.27
Treasury Bond 13-17 Years	12.09	12.65	9.87	6.07
Treasury Bond 18-22 Years	5.84	6.39	4.96	2.86
Treasury Bond 23-30 Years	3.91	5.39	2.81	0.60
External	**25.00**	**25.00**	**36.00**	**43.00**
Domestic	**75.00**	**75.00**	**64.00**	**57.00**

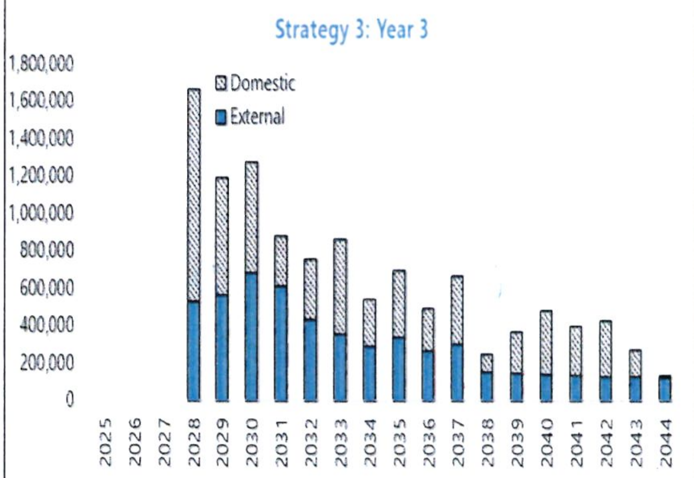
Annex 2: Composition of Debt Portfolio by Instrument under Alternative Strategies, (in Percent of Outstanding Portfolio as at End of -FY 2027/28)

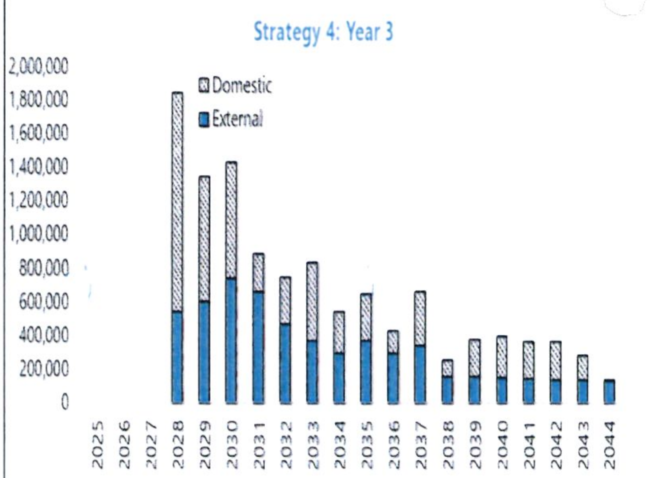
Outstanding by instrument	**Current**	**S1**	**S2**	**S3**	**S4**
ADF	2.8	2.4	2.4	2.5	2.6
IDA/IFAD	15.3	13.2	14.1	13.4	14.3
Concessional	2.6	4.7	6.4	5.1	6.0
Semi-Concessional	5.7	3.0	4.8	3.9	4.3
Commercial	22.9	20.5	15.8	25.8	29.7
T- bills	5.4	4.2	3.4	4.2	5.5
T- bond 2-3 Year	3.1	5.1	5.2	3.2	4.3
T- bond 4-7 Years	7.6	6.3	6.5	5.6	4.2
T- bond 8-12 Years	11.1	12.9	12.7	11.4	9.0
T- bond 13-17 Years	11.5	13.5	13.5	12.0	9.8
T- bond 18-22 Years	9.2	9.8	10.0	9.2	8.0
T- bond 23-30 Years	2.8	4.5	5.3	3.7	2.4
External	**49.3**	**43.7**	**43.4**	**50.8**	**56.8**
Domestic	**50.7**	**56.3**	**56.6**	**49.2**	**43.2**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Annex 3: Redemption Profiles under Alternative Strategies Ksh. Million (End-FY2027/28)



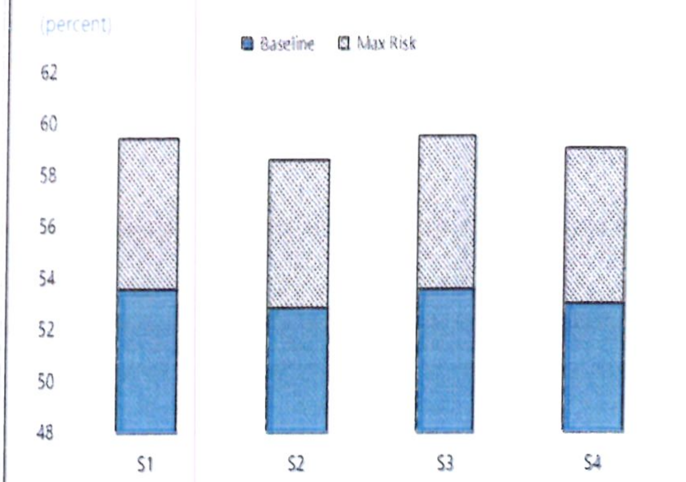




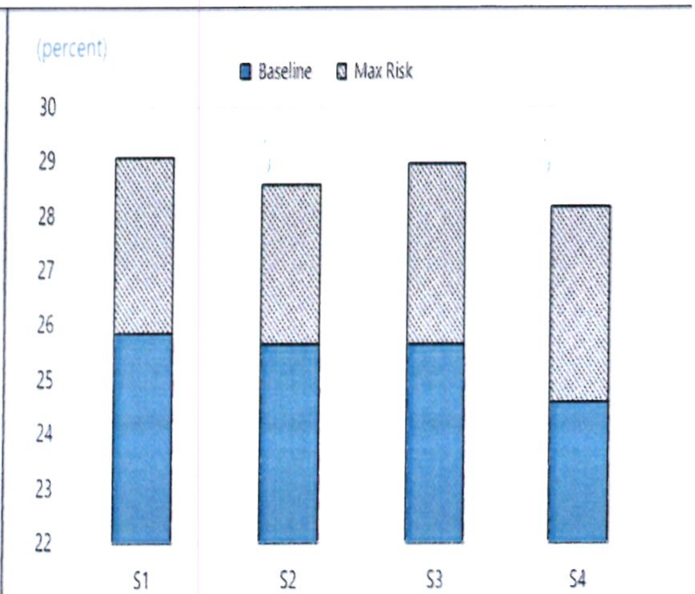


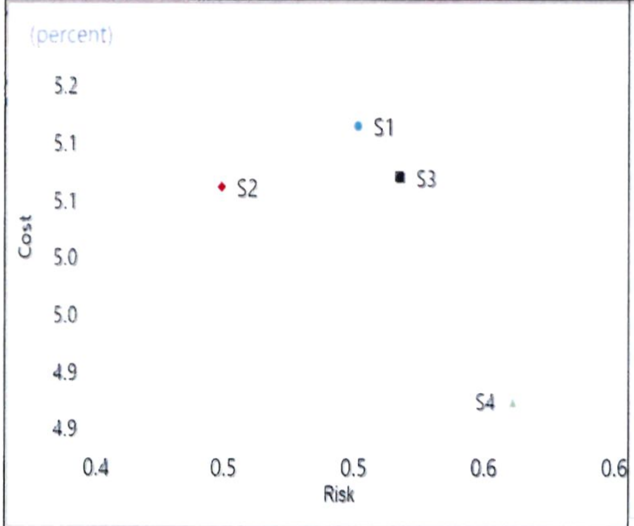
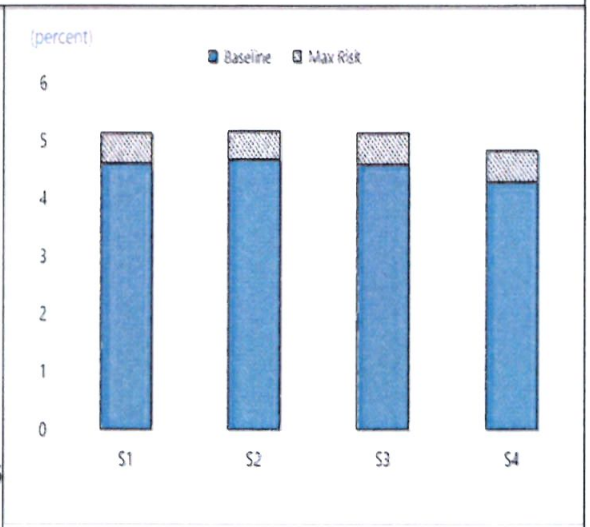
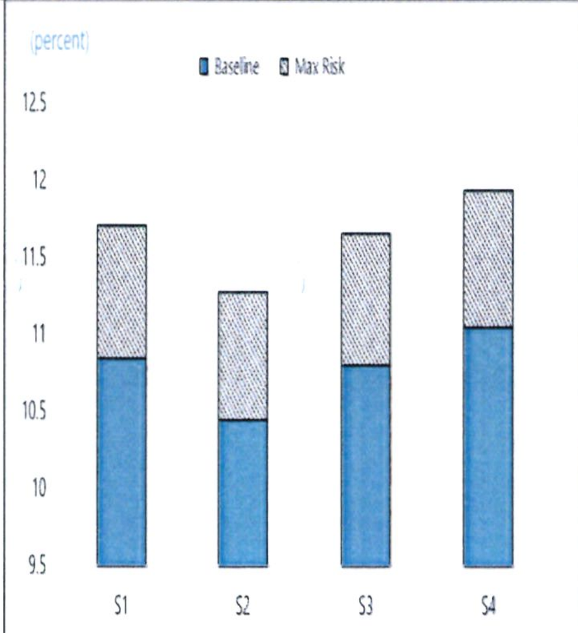
Annex 4: Cost and Risk Characteristics under Alternative Strategies

PV of Debt to GDP ratio



Interest to Revenue ratio



Interest to GDP ratio	
	
Total debt service to GDP ratio	
	

Annex 5: Baseline Pricing Assumptions and Description of Shock Scenarios

a) The pricing assumptions under the baseline scenario for interest rates and the exchange rates are as follows:

   i. ADF loans are priced at an average fixed rate of 0.75 percent, with a 40-year tenor and up-to 10-year grace period.

   ii. IDA/IFAD loans are priced at an average fixed rate of 2.0 percent, with a 30-year tenor and up-to 10-year grace period.

   iii. Other concessional loans are priced at an average fixed rate of 2.0 percent, with a 28-year tenor and up-to 7-year grace period.

   iv. Semi-concessional loans are assumed to be contracted at a fixed interest rate of approximately 3.0 percent and a maturity of 23 years including a grace period of up to 5 years.

   v. Commercial borrowings and Export Credit Agencies financing with floating rates are contracted at a reference rate plus a margin.

   vi. The pricing of Kenya's International Sovereign debt is based on US forward rates and credit spread.

   vii. Pricing on the domestic debt instruments is based on US forward rates, credit spread and inflation differential.

b) The outlook on the baseline interest rates and exchange rates is based on the following considerations;

   i. The Kenya shilling against the dollar exchange rate is assumed to depreciate annually at an average rate of 2.8 percent.

   ii. The fixed interest rates of market-based instruments in the international capital markets were based on US forward rates and credit spread. The domestic market yields were based on US forward rates, credit spread and inflation differential.

   iii. The interest rates for fixed rate loans are assumed to remain priced as per the existing portfolio.

c) Three risk scenarios are evaluated as follows:

   i. The risk scenario for interest rates assumes moderate interest rate shock of 0.75 percent and 1.5 percent in 2026 and 2027 respectively and a stand-alone extreme shock of 1.5 percent and 3.0 percent over the same period.

   ii. The risk scenario for exchange rate assumes a stand-alone extreme shock of 25 percent in 2026 which was applied on the baseline exchange rate projections.

   iii. The combined exchange rate and interest rate risk shock scenario assumes an increase in interest rate by a moderate shock of 0.75 percent combined with a 12.5 percent exchange rate depreciation in 2026.

Annex 6: Publication of the Debt Management Strategy

Section 33 of the Public Finance Management Act, 2012 provides:

1) On or before 15th February in each year, the Cabinet Secretary shall submit to Parliament a statement setting out the debt management strategy of the national government over the medium term with respect to its actual liability in respect of loans and guarantees and its plans for dealing with those liabilities.
2) The Cabinet Secretary shall ensure that the medium-term debt management strategy is aligned to the broad strategic priorities and policy goals set out in the Budget Policy Statement.
3) The Cabinet Secretary shall include in the statement the following information: -
    a) The total stock of debt as at the date of the statement;
    b) The sources of loans made to the national government and the nature of guarantees given by the national government;
    c) The principal risks associated with those loans and guarantees;
    d) The assumptions underlying the debt management strategy; and
    e) An analysis of the sustainability of the amount of debt, both actual and potential.
4) Within fourteen days after the debt strategy paper is submitted to Parliament under this section, the Cabinet Secretary shall submit the statement to the Commission on Revenue Allocation and the Intergovernmental Budget and Economic Council, publish, and publicize the statement.
5) PFM Act 2012, 'General responsibilities of the National Treasury' Section 12. Provides that: (1) Subject to the Constitution and this Act, the National Treasury shall—(b) manage the level and composition of national public debt, national guarantees and other financial obligations of national government within the framework of this Act and develop a framework for sustainable debt control.

THE NATIONAL TREASURY

COMPARATIVE ANALYSIS NOTE BETWEEN

2025 MTDS (February 2025) vs Revised 2025 MTDS (June 2026)

Prepared by the Public Debt Management Office June 2026

1. PURPOSE

This note provides a structured, side-by-side comparison of the 2025 Medium-Term Debt Management Strategy (MTDS) published in February 2025 and its Revised edition published in June 2026. Both documents cover the same period — FY 2025/26 to FY 2027/28 — and share the same analytical baseline of the public debt stock as at end June 2024. The revision was necessitated by the Supplementary I Budget for FY 2025/26 and updated macroeconomic and debt sustainability assessments. The comparison highlights changes in strategy parameters, cost and risk indicators, borrowing targets, analytical structure, and institutional scope.

2. SUMMARY OF KEY FINDINGS

STRATEGY	Both strategies select Strategy 2 (S2) as optimal and retain the same 75% domestic / 25% external gross borrowing mix. The core strategic direction is unchanged.
KEY CHANGE	The net deficit financing mix shifts materially — from 65%/35% domestic/external in the original to 80%/20% in the Revised — reflecting reduced access to external concessional financing and greater reliance on domestic sources.
OUTCOMES	The Revised MTDS projects more conservative S2 outcomes than the original: nominal debt-to-GDP target rises from 57.8% to 63.3% (a 5.5 percentage point upward revision), and interest payments-to-GDP from 4.6% to 5.1% — reflecting a higher debt stock trajectory.
DSA UPDATE	The DSA is significantly more favourable on external indicators: the PV of PPG external debt to exports is projected below the 180% threshold from 2026 (vs. remaining above through 2029 in the original), and the debt service-to-revenue ratio is now expected to breach the 18% threshold only in 2024–2025, not through 2028.
STRUCTURE	The Revised MTDS drops three substantive chapters present in the original: the Review of 2023 MTDS Performance (Chapter IV), the dedicated Challenges chapter (Chapter VI), and the Strategy Implementation Work Plan with monitoring template (Chapter X). The Revised is thus analytically leaner.

3. DETAILED COMPARISON TABLE

Parameter	2025 MTDS (February 2025)	Revised 2025 MTDS (June 2026)
MTDS		
Issuing date	February 2025	June 2026
Coverage period	FY 2025/26 – FY 2027/28	FY 2025/26 – FY 2027/28 (same)
Legal basis	Section 33(2) & 63(c), PFM Act 2012	Supplementary I Budget FY2025/26 & Parliamentary resolutions
Costs & risks data as at	End June 2024	End June 2024
DSA reference date	October 2024 (IMF)	September 2025 (The National Treasury)
DEBT STOCK (End June 2024 — identical baseline)		
Total public & publicly guaranteed debt	Ksh 10,581.98 bn (65.7% of GDP) / USD 81.70 bn	Ksh 10,581.98 bn (65.7% of GDP) / USD 81.70 bn
Domestic debt	Ksh 5,410.28 bn	Ksh 5,410.28 bn
External debt	Ksh 5,171.70 bn	Ksh 5,171.70 bn
MTDS analytical base	Ksh 10,318.25 bn (excl. Ksh 263.74 bn)	Ksh 10,318.25 bn (excl. Ksh 263.74 bn — identical)
PV of debt to GDP (2024 baseline)	63.0% of GDP	58.1% of GDP
DEBT SUSTAINABILITY ANALYSIS		
Overall assessment		
PV external debt / GDP	Below 40% threshold throughout	Below 40% threshold throughout
PV PPG external debt / exports	Above 180% threshold through 2029	Below 180% limit from 2026 onwards
Debt service / revenue threshold (18%)	Breached 2024–2028 (peaks at 25.2% in 2024)	Breached only 2024–2025 (27.0% in 2024, 20.6% in 2025); below threshold from 2026
Debt service / exports threshold (15%)	Above 15% through 2029	Above 15% through 2030
PV total debt / GDP 55% benchmark	Above 55% through 2029; 63.0% in 2024	Above 55% through 2030; 65.7% in 2024, projected 62.1% by 2030

Parameter	2025 MTDS (February 2025)	Revised 2025 MTDS (June 2026)
SELECTED STRATEGY — KEY DIFFERENCES		
Strategy selected		
Gross borrowing mix	25% external / 75% domestic	25% external / 75% domestic (unchanged)
Net deficit financing mix	65% domestic / 35% external	80% domestic / 20% external
End-of-period debt composition	45% external / 55% domestic	43.4% external / 56.6% domestic
COST & RISK INDICATORS — S2 OUTCOMES (end FY 2027/28)		
Nominal debt / GDP	57.8%	63.3%
PV of debt / GDP	52.8%	58.0%
Interest payment / GDP	4.6%	5.1%
Implied interest rate	8.6%	8.7%
ATM – Total Portfolio (years)	9.0	9.0
ATM – Domestic Portfolio (years)	8.3	8.3
ATM – External Portfolio (years)	9.8	10.0
ATR (years)	8.6	8.7
Debt refixing in 1yr (% of total)	18.2%	17.9%
Fixed-rate debt incl. T-bills	92.5%	92.9%
T-bills (% of total)	3.7%	3.4%
FX debt (% of total)	44.6%	43.4%
ST FX debt (% of reserves)	29.1%	29.6%

4. CONCLUSION

The Revised 2025 MTDS represents an update of Kenya's debt management framework. The strategic preference for domestic- borrowing, medium-to-long-term bond issuance, and concessional financing optimisation is maintained. However, the revision reflects several important recalibrations:

(i) The net financing mix is now favor of domestic sources at (80/20 vs. 65/35), signalling reduced external financing availability;

(ii) The expected debt reduction by FY 2027/28 is more modest than originally projected, with the nominal debt-to-GDP outcome at 63.3% versus the original target of 57.8%;

(iii) The DSA presents improved external debt ratios, notably on the PPG external debt-to-exports indicator; and

(iv) The Revised MTDS also introduces a broader set of innovative financing instruments (Sukuk, Samurai, Panda bonds) and elevates the role of the Central Bank of Kenya as a co-author of the data underpinning the strategy.